

Auditing Procedures Report

Instructions and MuniCodes

=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.05)

Unit Name	Village of Port Austin	County	HURON	Type	Village	MuniCode	32-3-060
Opinion Date-Use Calendar	Aug 18, 2008	Audit Submitted-Use Calendar	Aug 28, 2008	Fiscal Year End Month	02	Fiscal Year	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? <u>Qualified</u>
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 517,506.00
General Fund Expenditure:	<input type="checkbox"/> ? \$ 504,504.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 391,322.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ? \$ 13,600.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)	Douglas	Last Name	Brining	Ten Digit License Number	1101008283		
CPA Street Address	64 Westland Drive	City	Bad Axe	State MI	Zip Code	48413	Telephone +1 (989) 269-9909
CPA Firm Name	Brining & Nartker, P.C.	Unit's Street Address	17 W. State Street	Unit's City	Port Austin	Unit's Zip	48467

**VILLAGE OF PORT AUSTIN
PORT AUSTIN, MICHIGAN**

**FINANCIAL REPORT
FEBRUARY 29, 2008**

VILLAGE OF PORT AUSTIN, MICHIGAN

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BRINING & NARTKER, P.C.

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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Port Austin, Michigan

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Port Austin, Huron County, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Port Austin, Huron County, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not prepared their discussion and analysis information for the Village of Port Austin, Huron County, Michigan. This discussion is required by U.S. generally accepted accounting principles as supplemental information.

In our opinion, except for the omission of management's discussion and analysis as discussed in the previous paragraph, which results in an incomplete presentation, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Port Austin, Huron County, Michigan as of February 29, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 17 through 21 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Port Austin, Huron County, Michigan's basic financial statements. The accompanying additional information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brining & Nartker, P.C.
BRINING & NARTKER, P.C.
Certified Public Accountants

August 18, 2008

BASIC FINANCIAL STATEMENTS

**VILLAGE OF PORT AUSTIN, MICHIGAN
STATEMENT OF NET ASSETS
FEBRUARY 29, 2008**

	<u>PRIMARY GOVERNMENT</u>	
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>COMPONENT UNIT</u>
ASSETS:		
Current assets:		
Cash	\$ 893,621	\$ 121,770
Prepays	8,970	-
Accounts receivable - trash billing	9,146	-
Property taxes receivable	-	65,102
Capital assets - net of accumulated depreciation	368,328	1,369,118
TOTAL ASSETS	<u>1,280,065</u>	<u>1,555,990</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	6,241	11,033
Deferred revenue	-	10,937
Accrued payroll taxes	744	-
Accrued pension	444	-
Due to Port Austin Area Sewer and Water Authority	6,049	-
Current maturities of long-term debt	-	26,826
Capital lease payable	25,009	-
Noncurrent liabilities:		
Noncurrent portion of long-term debt	-	380,898
Accumulated compensated absences	13,600	-
TOTAL LIABILITIES	<u>52,087</u>	<u>429,694</u>
NET ASSETS:		
Investment in capital assets net of related debt	343,320	961,394
Restricted for streets	506,937	-
Unrestricted	377,721	164,902
TOTAL NET ASSETS	<u>\$ 1,227,978</u>	<u>\$ 1,126,296</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF PORT AUSTIN, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	TOTAL	COMPONENT UNIT
				PRIMARY GOVERNMENT	
PRIMARY GOVERNMENT					
Governmental activities					
Legislative	\$ 11,711	\$ -	\$ -	\$ (11,711)	\$ -
General government	85,743	57,475	4,360	(23,908)	-
Public buildings and grounds	82,074	-	-	(82,074)	-
Public safety	79,738	-	17,780	(61,958)	-
Public works	98,648	68,930	-	(29,718)	-
Recreation and culture	56,699	3,856	13,217	(39,626)	-
Other	52,176	-	-	(52,176)	-
Equipment	23,529	-	-	(23,529)	-
Streets	117,351	-	64,390	(52,961)	-
Interest on long-term debt	3,199	-	-	(3,199)	(16,031)
Total primary government	<u>\$ 610,868</u>	<u>\$ 130,261</u>	<u>\$ 99,747</u>	<u>(380,860)</u>	<u>(16,031)</u>
COMPONENT UNIT					
Downtown Development Authority					<u>(94,455)</u>
GENERAL REVENUES					
Property taxes				378,719	129,851
State sources				59,970	240,835
Investment earnings				7,988	-
Miscellaneous				1,697	20,610
Net transfers				11,000	(11,000)
SPECIAL ITEM:					
Gain on sale of asset				1,177	-
TOTAL GENERAL REVENUES AND SPECIAL ITEMS				<u>460,551</u>	<u>380,296</u>
CHANGE IN NET ASSETS				<u>79,691</u>	<u>269,810</u>
NET ASSETS - BEGINNING OF YEAR				1,148,287	856,486
NET ASSETS - END OF YEAR				<u>\$ 1,227,978</u>	<u>\$ 1,126,296</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF PORT AUSTIN, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 29, 2008**

	MAJOR FUNDS				TOTAL
	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	DEBT SERVICE FUND	GOVERNMENTAL FUNDS
ASSETS					
Cash	\$ 375,533	\$302,144	\$215,944	\$ -	\$ 893,621
Due from other funds	11,151	-	-	-	11,151
Prepays	8,970	-	-	-	8,970
Accounts receivable - trash billing	9,146	-	-	-	9,146
TOTAL ASSETS	<u>\$404,800</u>	<u>\$302,144</u>	<u>\$215,944</u>	<u>\$ -</u>	<u>\$ 922,888</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ 6,241	\$ -	\$ -	\$ -	\$ 6,241
Accrued payroll taxes	744	-	-	-	744
Accrued pension	444	-	-	-	444
Due to other funds	-	7,325	3,826	-	11,151
Due to Port Austin Area Sewer and Water Authority	6,049	-	-	-	6,049
TOTAL LIABILITIES	<u>13,478</u>	<u>7,325</u>	<u>3,826</u>	<u>-</u>	<u>24,629</u>
FUND BALANCE:					
Unreserved	391,322	294,819	212,118	-	898,259
TOTAL LIABILITIES AND FUND BALANCE	<u>\$404,800</u>	<u>\$302,144</u>	<u>\$215,944</u>	<u>\$ -</u>	<u>\$ 922,888</u>

**VILLAGE OF PORT AUSTIN, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
FEBRUARY 29, 2008**

Total governmental fund balances	\$ 898,259
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	368,328
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(38,609)
Net assets of governmental activities	<u>\$ 1,227,978</u>

The accompany notes are an integral part of the financial statements.

**VILLAGE OF PORT AUSTIN, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	MAJOR FUNDS				TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	DEBT SERVICE FUND	
REVENUES:					
Taxes	\$ 287,401	\$ 45,659	\$ 45,659	\$ -	\$ 378,719
Intergovernmental revenue	61,980	42,993	18,718	-	123,691
Federal grants	16,000	-	-	-	16,000
State grants	13,217	2,679	-	-	15,896
Charges for services	120,804	-	-	-	120,804
Interest and rentals	6,075	2,763	2,405	-	11,243
Other	12,029	-	-	-	12,029
TOTAL REVENUES	517,506	94,094	66,782	-	678,382
EXPENDITURES:					
Current:					
Legislative	11,711	-	-	-	11,711
General government	81,680	-	-	-	81,680
Public buildings and grounds	81,893	-	-	-	81,893
Public safety	97,344	-	-	-	97,344
Public works	93,084	-	-	-	93,084
Recreation	56,054	-	-	-	56,054
Equipment	30,562	-	-	-	30,562
Other	52,176	-	-	-	52,176
Streets	-	64,633	74,368	-	139,001
Debt Service:					
Principal	-	-	-	203,134	203,134
Interest	-	-	-	16,031	16,031
TOTAL EXPENDITURES	504,504	64,633	74,368	219,165	862,670
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13,002	29,461	(7,586)	(219,165)	(184,288)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	11,000	-	9,895	219,165	240,060
Operating transfers out	-	(9,895)	-	-	(9,895)
Proceeds from sale of asset	1,177	-	-	-	1,177
TOTAL OTHER FINANCING SOURCES (USES)	12,177	(9,895)	9,895	219,165	231,342
NET CHANGE IN FUND BALANCE	25,179	19,566	2,309	-	47,054
FUND BALANCE - BEGINNING OF YEAR	366,143	275,253	209,809	-	851,205
FUND BALANCE - END OF YEAR	\$ 391,322	\$ 294,819	\$ 212,118	\$ -	\$ 898,259

**VILLAGE OF PORT AUSTIN, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008**

Total net change in fund balances - governmental funds	\$ 47,054
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:	
Capital outlay	36,895
Depreciation	(28,797)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Decrease in compensated absences	1,078
Repayment of loans is an expenditure in governmental funds but reduces long-term liabilities in the statement of net assets.	23,461
Change in net assets of governmental activities.	<u>\$ 79,691</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Port Austin, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village.

Reporting Entity

The Village is located in Huron County, Michigan and operates under a seven member elected Council. The Village provides services to the residents as authorized by its charter. These services include public safety (police), highways and streets, parks and recreation, public improvements, planning and zoning, and general administration services.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB No. 39, the definition of the reporting entity is based primarily on the premise of financial accountability. The Village of Port Austin is a primary government and is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. These types of organizations are deemed component units.

The Village formed a Downtown Development Authority on January 25, 1999. The purpose of the D.D.A. is to develop, finance and maintain property located in a designated downtown area. Captured tax increases have been recorded in the D.D.A. which is reported as a discretely presented component unit.

The Village is responsible for appointing two members to the Port Austin Area Sewer and Water Authority, but the Village's accountability for this organization does not extend beyond making the appointments. The Village does not have a voting majority on the Port Austin Area Sewer and Water Authority and the Authority does not impose specific financial burden upon or provide specific financial benefits to the Village. Therefore, the Port Austin Area Sewer and Water Authority is not presented as a component unit of the Village and the Village does not have an equity interest in the Authority.

As is discussed in Note 10, the Village entered into a water supply system management contract with the Port Austin Area Sewer and Water Authority, effective March 1, 1997, giving them management responsibility for 40 years. The Water Systems Enterprise Fund is reported by the Port Austin Area Sewer and Water Authority.

Accounting Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the discretely presented component unit for which the Village is financially accountable.

(Continued)

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are property taxes, licenses and interest revenue. Charges for services, fine, and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund and Local Street Fund are used to account for the resources of state gas and weight tax revenues that are restricted for use on major streets and local streets, respectively.

The Debt Service Fund is used to account for the accumulation of resources for the payment of principal, interest, and related costs of general long-term debt.

Property Taxes

Properties are assessed as of June 30, and the related property taxes become a lien on June 1 of the following year. These taxes are due on September 14 after which they are added to the County tax roll. The delinquent real property taxes of the Village are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Village for these property taxes. These taxes have been recorded as revenue for the current year. Delinquent personal property taxes are not paid by the County revolving tax fund and will be remitted to the Village as collection occurs.

(Continued)

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are defined by the Village as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets are being depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	20 years
Irrigation equipment	30 years
Vehicles	5 to 15 years
Office equipment	5 to 10 years

Accumulated Compensated Absences

Under agreements with the Village, certain employees are allowed to accumulate sick leave for subsequent use or for payment upon termination. All sick leave is accrued when incurred in the government-wide financial statements. Governmental funds record the vested sick leave as an expenditure of the current year to the extent it is paid during the year. The liability has been computed based on pay rates in effect as of February 29, 2008.

Budgets

Annual budgets are approved prior to the beginning of the fiscal year and are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The Village does not utilize encumbrance accounting.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – BUDGET VIOLATIONS:

P.A. 621 of 1978, section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the functional level.

(Continued)

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – BUDGET VIOLATIONS: (Continued)

During the year ended February 29, 2008, the Village incurred expenditures in excess of the amounts appropriated in the budgetary funds, as follows:

	<u>AMOUNT APPROPRIATED</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
GENERAL FUND:			
General government	\$ 78,235	\$ 81,680	\$ 3,445
Public safety	\$ 84,323	\$ 97,344	\$ 13,021
Public works	\$ 87,200	\$ 93,084	\$ 5,884
Recreation	\$ 43,600	\$ 56,054	\$ 12,454
MAJOR STREET FUND:			
Traffic services	\$ 100	\$ 333	\$ 233
Snow and ice control	\$ 8,775	\$ 10,848	\$ 2,073
Trunkline snow and ice control	\$ 7,125	\$ 7,861	\$ 736
Administrative	\$ 600	\$ 670	\$ 70
Operating transfers out	\$ 9,500	\$ 9,895	\$ 395
LOCAL STREET FUND:			
Snow and ice control	\$ 9,000	\$ 12,568	\$ 3,568
Administrative	\$ 600	\$ 670	\$ 70
DEBT SERVICE FUND:			
Principal	\$ -	\$ 203,134	\$ 203,134
Interest	\$ -	\$ 16,031	\$ 16,031

NOTE 3 – DEPOSITS AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended), authorizes a local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Village's deposits are in accordance with statutory authority.

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Village's investment policy does not directly address a deposit policy for custodial credit risk. At year end, the Village had \$822,936 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

NOTE 4 – CAPITAL ASSETS:

Capital asset activity for the current year was as follows:

	BALANCE MARCH 1, <u>2007</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	BALANCE FEBRUARY 29, <u>2008</u>
GOVERNMENTAL ACTIVITIES:				
Primary Government:				
Capital Assets Not Being Depreciated				
Land	\$ 13,902	\$ -	\$ -	\$ 13,902
Capital Assets Being Depreciated				
Buildings and improvements	507,031	-	-	507,031
Equipment	414,522	36,895	19,350	432,067
	<u>921,553</u>	<u>36,895</u>	<u>19,350</u>	<u>939,098</u>
Less: Accumulated Depreciation				
Buildings	255,930	10,826	-	266,756
Equipment	319,295	17,971	19,350	317,916
	<u>575,225</u>	<u>28,797</u>	<u>19,350</u>	<u>584,672</u>
Net Capital Assets Being Depreciated	<u>346,328</u>	<u>8,098</u>	<u>-</u>	<u>354,426</u>
Net Capital Assets - Primary Government	<u>\$ 360,230</u>	<u>\$ 8,098</u>	<u>\$ -</u>	<u>\$ 368,328</u>
Component Unit:				
Capital Assets Not Being Depreciated				
Land	\$ -	\$ 455,480	\$ -	\$ 455,480
Construction in progress	-	13,019	-	13,019
	<u>-</u>	<u>468,499</u>	<u>-</u>	<u>468,499</u>
Capital Assets Being Depreciated				
Equipment	71,824	1,433	-	73,257
Land improvements	1,076,848	-	-	1,076,848
	<u>1,148,672</u>	<u>1,433</u>	<u>-</u>	<u>1,150,105</u>
Less: Accumulated Depreciation				
Equipment	12,853	3,689	-	16,542
Land improvements	179,264	53,680	-	232,944
	<u>192,117</u>	<u>57,369</u>	<u>-</u>	<u>249,486</u>
Net Capital Assets Being Depreciated	<u>956,555</u>	<u>(55,936)</u>	<u>-</u>	<u>900,619</u>
Net Capital Assets - Component Unit	<u>\$ 956,555</u>	<u>\$ 412,563</u>	<u>\$ -</u>	<u>\$ 1,369,118</u>

(Continued)

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

NOTE 4 – CAPITAL ASSETS: (Continued)

Depreciation expense was charged to programs of the Village as follows:

Governmental Activities:	
General government	\$ 6,589
Public safety	8,727
Public works	6,730
Public building and grounds	180
Recreation and culture	646
Equipment	917
Streets	5,008
Total Depreciation Expense - Governmental Activities	<u>\$ 28,797</u>
Component Unit:	
Downtown Development Authority	<u>\$ 57,369</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

The composition of interfund balances in the fund-level financial statements is as follows:

	<u>RECEIVABLE</u>	<u>PAYABLE</u>
General Fund:		
Major Street Fund	\$ 7,325	\$ -
Local Street Fund	3,826	-
	<u>\$ 11,151</u>	<u>\$ -</u>
Major Street Fund:		
General Fund	<u>\$ -</u>	<u>\$ 7,325</u>
Local Street Fund:		
General Fund	<u>\$ -</u>	<u>\$ 3,826</u>

The receivables from the Street Funds result from a time lag between when the expenditures were incurred and the transfers made.

Interfund transfers for the year ended February 29, 2008 consisted of the following:

<u>FUND TRANSFERRED FROM</u>	<u>FUND TRANSFERRED TO</u>	<u>AMOUNT</u>
Major Street Fund	Local Street Fund	\$ 9,895
Component Unit	General Fund	\$ 11,000
Component Unit	Debt Service Fund	\$ 219,165

The Major Street Fund transferred 25% of Act 51 funds to the Local Street Fund. The transfer from the Component Unit to the General Fund was for streetlight electricity. The transfer from the Component Unit to the Debt Service Fund was used to pay principal and interest due on long-term debt.

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

NOTE 6 – CAPITAL LEASES:

The Village has entered into a lease agreement as lessee for financing the purchase of a dump/plow truck. This lease agreement qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows at February 29:

	<u>DUMP/PLOW TRUCK</u>		
	<u>MAJOR STREET FUND</u>	<u>LOCAL STREET FUND</u>	<u>TOTAL</u>
2009	\$ 13,329	\$ 13,330	\$ 26,659
Total minimum lease payments	13,329	13,330	26,659
Less amount representing interest	825	825	1,650
Present value	<u>\$ 12,504</u>	<u>\$ 12,505</u>	<u>\$ 25,009</u>

NOTE 7 – LONG-TERM DEBT:

The following is a summary of changes in long-term debt for the year ended February 29, 2008:

	<u>BALANCE MARCH 1, 2007</u>	<u>ADDITIONS (RETIREMENTS)</u>	<u>BALANCE FEBRUARY 29, 2008</u>	<u>DUE WITHIN ONE YEAR</u>
GOVERNMENTAL ACTIVITIES:				
Accumulated compensated absences	\$ 14,678	\$ - (1,078)	\$ 13,600	\$ -
	<u>\$ 14,678</u>	<u>\$ (1,078)</u>	<u>\$ 13,600</u>	<u>\$ -</u>

COMPONENT UNIT:

4% - Port Austin State Bank for streetscape project, payable in monthly installments of \$2,219 starting January 13, 2003 with a balloon payment due on December 13, 2007.

\$ 194,664	\$ - (194,664)	\$ -	\$ -
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4.5% - Port Austin State Bank for streetscape project, payable in monthly installments of \$2,219 starting January 13, 2008 with a final payment of \$76,593 due on December 13, 2012.

-	178,694 (3,104)	175,590	19,123
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4.7% - Independent Bank for Cucchiara property purchase, payable in monthly installments of \$1,537 starting May 24, 2007 with a final payment estimated at \$198,938 due on May 24, 2012.

-	237,500 (5,366)	232,134	7,703
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<u>\$ 194,664</u>	<u>\$ 213,060</u>	<u>\$ 407,724</u>	<u>\$ 26,826</u>
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(Continued)

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

NOTE 7 – LONG-TERM DEBT: (Continued)

The annual debt service requirements to maturity for the above obligations are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 26,826	\$ 18,257	\$ 45,083
2010	28,075	17,008	45,083
2011	29,382	15,701	45,083
2012	30,749	14,334	45,083
2013	292,692	5,237	297,929
	<u>\$ 407,724</u>	<u>\$ 70,537</u>	<u>\$ 478,261</u>

NOTE 8 – DEFINED BENEFIT PENSION PLAN:

Plan Description

The Village's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is a participant in the Municipal Employees Retirement System of Michigan (MERS), which is an agent multiple-employer, state-wide, public employee pension plan that was created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. Pursuant to Act 220, on August 15, 1996, MERS became an independent public non-profit corporation which is an instrumentality of the participating municipalities and courts. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. It provides centralized administration and investment of plan assets, but each employer unit is separately experience rated. MERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to MERS, 447 N. Canal Road, Lansing, MI 48917 or by calling 1-800-767-6377.

Funding Policy

Employees are required to contribute 4% of their annual earnings to the System. The Village is required to contribute amounts necessary to fund the System using sound actuarial methods; the rate for 2007 was 5.65%.

Annual Pension Cost

For the year ended February 29, 2008, the Village's annual pension cost of \$8,789 was equal to their required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) an investment yield rate of 8%, and (b) projected salary increases of 4.5% per year. The Village's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis.

Trend Information

<u>YEAR ENDING</u>	<u>ANNUAL REQUIRED CONTRIBUTION *(ARC)</u>	<u>PERCENTAGE OF ARC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
2/28/2005	\$ 6,708	100%	\$ -
2/28/2006	\$ 8,640	100%	\$ -
2/28/2007	\$ 8,304	100%	\$ -

*Based on valuation payroll. Actual contributions will be based on actual payroll and will be different from the above amounts (usually higher).

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

NOTE 9 – CONTINGENT LIABILITIES:

The Village has elected to be treated as a reimbursing employer for unemployment compensation purposes. Any unemployment benefits paid to Village employees by the Michigan unemployment fund must be reimbursed by the Village on a dollar for dollar basis. The contingent liability for unemployment benefits is not recognized in the accompanying financial statements. The expense is recognized at the time the Village becomes liable to the State of Michigan for unemployment benefits paid. For the year ended February 29, 2008, \$-0- was paid in unemployment benefits.

NOTE 10 - WATER SUPPLY SYSTEM MANAGEMENT CONTRACT:

Effective March 1, 1997 the Port Austin Area Sewer and Water Authority entered into a water supply system management contract with the Village of Port Austin and the Township of Port Austin. Major elements of the agreement are as follows:

- The Authority will manage, operate, maintain and administer the water system for the Village and the Township and will comply with all requirements of the Rural Economic and Community Development Agency of the Department of Agriculture of the United States relative to outstanding Village bonds.
- Rates charged to customers will be recommended by the Authority and adopted by ordinance in each local unit.
- The Authority will prepare the annual budget.
- The Authority will prepare an annual report of its management of the water system and have an annual audited financial report.
- The local units will hold legal title to the system for assets transferred at the onset of the agreement.
- The term of the agreement is 40 years.

NOTE 11 - JOINT VENTURE:

Pursuant to an intergovernmental agreement dated May 14, 1990 between the Village and Port Austin Township, fire protection service is provided by the Port Austin Fire Department. The Township levies millage to fund operations of the Fire Department. In the event that the Fire Department is dissolved, a minimum of 50% of the assets and equipment will be returned to the Village. Separate financial statements for the joint venture are available from the Port Austin Fire Department. As of March 31, 2007, the total fund balance was \$256,816; therefore, the Village's equity was \$128,408.

NOTE 12 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, and natural disasters. The Village participates in the Michigan Municipal Liability and Property Pool for claims related to property loss, natural disasters, general liability, errors and omissions and auto liability.

NOTE 13 – SUBSEQUENT EVENT:

Grants Awarded

Subsequent to February 29, 2008, the Village of Port Austin received the following grants:

Harbor Redevelopment	\$ 100,000
Gallup Park	\$ 57,000
Farmers' Market Shelter	\$ 70,000

(Continued)

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

NOTE 13 – SUBSEQUENT EVENT: (Continued)

MERS Change

A resolution changing MERS benefits for Village employees was adopted with an effective date of August 1, 2008. This changes the employee contribution rate from 4% to 6%. This change is based on the Supplemental Valuation dated April 25, 2008 which is based on the 2006 Annual Actuarial Valuation. This adoption changes the employer contribution rate from 5.58% to 6.6% also effective August 1, 2008. A loan was taken out on July 23, 2008 in the amount of \$71,989 for 30 years at an interest rate of 4% to pay for the pension benefit increase.

REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF PORT AUSTIN, MICHIGAN
PENSION PLAN DATA
FEBRUARY 29, 2008**

Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL (UAAAL)	Funded Ratio	Covered Payroll	UAAAL as a % of Covered Payroll
12/31/93	\$ 96,586	\$ 100,075	\$ 3,489	97%	\$ 125,288	3%
12/31/94	\$ 119,292	\$ 123,124	\$ 3,832	97%	\$ 174,924	2%
12/31/95	\$ 147,505	\$ 140,471	\$ (7,034)	105%	\$ 170,455	0%
12/31/96	\$ 156,778	\$ 120,876	\$ (35,902)	130%	\$ 72,398	0%
12/31/97	\$ 150,061	\$ 119,559	\$ (30,502)	126%	\$ 43,817	0%
12/31/98	\$ 166,476	\$ 101,141	\$ (65,335)	165%	\$ 80,290	0%
12/31/99	\$ 187,409	\$ 156,022	\$ (31,387)	120%	\$ 127,059	0%
12/31/00	\$ 202,015	\$ 171,891	\$ (30,124)	118%	\$ 123,686	0%
12/31/01	\$ 210,523	\$ 180,232	\$ (30,291)	117%	\$ 139,943	0%
12/31/02	\$ 216,915	\$ 222,448	\$ 5,533	98%	\$ 142,409	4%
12/31/03	\$ 232,991	\$ 248,640	\$ 15,649	94%	\$ 139,169	11%
12/31/04	\$ 251,191	\$ 289,067	\$ 37,876	87%	\$ 149,056	25%
12/31/05	\$ 270,170	\$ 306,073	\$ 35,903	88%	\$ 146,934	24%

**VILLAGE OF PORT AUSTIN, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES:				
Taxes:				
Current property taxes	\$ 278,000	\$ 287,200	\$ 287,209	\$ 9
Mobile home taxes	180	96	192	96
Total taxes	<u>278,180</u>	<u>287,296</u>	<u>287,401</u>	<u>105</u>
Intergovernmental revenue:				
State revenue sharing:				
Sales and use tax	62,000	59,000	59,970	970
Liquor license	2,000	2,000	2,010	10
Total intergovernmental revenue	<u>64,000</u>	<u>61,000</u>	<u>61,980</u>	<u>980</u>
Federal grants:				
Police car grant	-	-	16,000	16,000
State grants:				
Waterfront planning and restoration grant	-	-	13,217	13,217
Charges for services:				
Equipment rental	45,000	60,000	66,029	6,029
Trash collection	55,000	55,000	54,775	(225)
Total charges for services	<u>100,000</u>	<u>115,000</u>	<u>120,804</u>	<u>5,804</u>
Interest and rentals:				
Interest	1,600	2,200	2,820	620
Civic Center and boat dock rental	5,400	2,950	3,255	305
Total interest and rentals	<u>7,000</u>	<u>5,150</u>	<u>6,075</u>	<u>925</u>
Other:				
Fish station	-	600	601	1
Water connection rebates	-	-	2,901	2,901
Police reimbursement	2,200	1,330	1,205	(125)
Miscellaneous	1,500	2,800	1,697	(1,103)
Fines	1,000	550	575	25
Zoning applications	2,000	2,000	2,350	350
Computer services	1,800	1,800	1,800	-
Lease income	3,600	900	900	-
Total other	<u>12,100</u>	<u>9,980</u>	<u>12,029</u>	<u>2,049</u>
TOTAL REVENUES	<u>461,280</u>	<u>478,426</u>	<u>517,506</u>	<u>39,080</u>

(Continued)

**VILLAGE OF PORT AUSTIN, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:				
Legislative:				
Board fee	<u>12,000</u>	<u>13,400</u>	<u>11,711</u>	<u>1,689</u>
General government:				
Election expenses	1,200	1,280	1,279	1
Salaries - clerical	42,000	42,760	45,946	(3,186)
Office supplies and expense	15,000	14,000	11,724	2,276
Professional fees	9,000	9,350	10,320	(970)
Mileage and training	300	200	354	(154)
Community promotions	500	345	345	-
Printing and publishing	1,500	600	692	(92)
Computer expenses	800	500	423	77
Dues and subscriptions	650	650	626	24
Clerk	1,300	1,300	1,300	-
Treasurer	3,750	3,750	3,750	-
Building and zoning office expense	250	250	229	21
Ambulance subsidy	1,850	1,850	-	1,850
Special events and decorations	1,000	1,000	1,000	-
Ordinance updating	1,000	-	-	-
Capital outlay	-	-	3,180	(3,180)
Miscellaneous	<u>500</u>	<u>400</u>	<u>512</u>	<u>(112)</u>
Total general government	<u>80,600</u>	<u>78,235</u>	<u>81,680</u>	<u>(3,445)</u>
Public buildings and grounds:				
Salaries	38,000	38,000	34,487	3,513
Telephone	1,600	1,600	1,751	(151)
Fire hydrant rental	6,500	7,700	8,950	(1,250)
Heat, lights and water	20,000	20,000	19,085	915
Repairs and maintenance	12,000	3,500	3,108	392
Materials and supplies	2,000	2,000	1,500	500
Fish cleaning station	-	350	389	(39)
Equipment rental	12,000	12,000	12,199	(199)
Miscellaneous	<u>500</u>	<u>500</u>	<u>424</u>	<u>76</u>
Total public buildings and grounds	<u>92,600</u>	<u>85,650</u>	<u>81,893</u>	<u>3,757</u>
Public safety:				
Salaries	64,000	64,000	60,575	3,425
Gasoline and oil	2,500	2,800	3,854	(1,054)
Materials and supplies	3,600	1,850	4,004	(2,154)
Office supplies	1,600	700	1,263	(563)
Telephone	900	1,080	1,108	(28)
Capital outlay	9,500	13,643	26,025	(12,382)
Miscellaneous	<u>800</u>	<u>250</u>	<u>515</u>	<u>(265)</u>
Total public safety	<u>82,900</u>	<u>84,323</u>	<u>97,344</u>	<u>(13,021)</u>

(Continued)

**VILLAGE OF PORT AUSTIN, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 29, 2008
(CONTINUED)**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
EXPENDITURES: (Continued)				
Public works:				
Salaries				
Street lighting	12,000	14,000	19,312	(5,312)
Materials and supplies	24,000	30,000	30,546	(546)
Equipment rental	200	100	69	31
Trash pickup	-	50	38	12
Drain assessments	37,000	37,600	37,666	(66)
Miscellaneous	4,000	5,350	5,322	28
Total public works	200	100	131	(31)
	<u>77,400</u>	<u>87,200</u>	<u>93,084</u>	<u>(5,884)</u>
Recreation:				
Salaries and wages	18,000	16,000	15,251	749
Equipment rental	18,000	18,000	18,428	(428)
Repairs and maintenance	3,000	3,800	3,870	(70)
Heat, lights and water	2,000	2,000	1,983	17
Materials and supplies	5,500	3,800	3,305	495
Waterfront planning and restoration grant expenses	-	-	13,217	(13,217)
Miscellaneous	500	-	-	-
Total recreation	<u>47,000</u>	<u>43,600</u>	<u>56,054</u>	<u>(12,454)</u>
Other:				
Insurance and bonds	12,500	12,600	12,973	(373)
Employee benefits	42,625	40,825	39,203	1,622
Total other	<u>55,125</u>	<u>53,425</u>	<u>52,176</u>	<u>1,249</u>
Equipment:				
Salaries	3,500	3,000	2,644	356
Materials and supplies	1,000	1,000	1,165	(165)
Repairs and maintenance	3,000	9,000	8,252	748
Equipment rental	500	500	711	(211)
Gasoline and oil	6,500	8,000	9,314	(1,314)
Capital outlay	-	11,400	8,476	2,924
Miscellaneous	500	-	-	-
Total equipment	<u>15,000</u>	<u>32,900</u>	<u>30,562</u>	<u>2,338</u>
TOTAL EXPENDITURES	<u>462,625</u>	<u>478,733</u>	<u>504,504</u>	<u>(25,771)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,345)</u>	<u>(307)</u>	<u>13,002</u>	<u>13,309</u>
OTHER FINANCING SOURCES:				
Operating transfers in	11,000	11,000	11,000	-
Proceeds from sale of asset	-	-	1,177	1,177
TOTAL OTHER FINANCING SOURCES	<u>11,000</u>	<u>11,000</u>	<u>12,177</u>	<u>1,177</u>
NET CHANGE IN FUND BALANCE	<u>9,655</u>	<u>10,693</u>	<u>25,179</u>	<u>14,486</u>
FUND BALANCE - BEGINNING OF YEAR	366,143	366,143	366,143	-
FUND BALANCE - END OF YEAR	<u>\$ 375,798</u>	<u>\$ 376,836</u>	<u>\$ 391,322</u>	<u>\$ 14,486</u>

**VILLAGE OF PORT AUSTIN, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:				
Taxes	\$ 44,000	\$ 45,600	\$ 45,659	\$ 59
Intergovernmental revenue:				
State winter maintenance	2,500	1,497	1,497	-
Trunkline maintenance	1,800	1,900	1,914	14
Gas and weight tax	38,000	38,000	39,582	1,582
State grants	2,500	2,650	2,679	29
Interest	1,500	2,400	2,763	363
TOTAL REVENUES	<u>90,300</u>	<u>92,047</u>	<u>94,094</u>	<u>2,047</u>
EXPENDITURES:				
Routine maintenance	29,625	28,875	27,824	1,051
Traffic services	1,000	100	333	(233)
Snow and ice control	5,600	8,775	10,848	(2,073)
Trunkline sweeping and flushing	4,675	3,800	3,768	32
Trunkline snow and ice control	4,400	7,125	7,861	(736)
Administrative	2,000	600	670	(70)
Capital outlay	13,400	13,400	13,329	71
TOTAL EXPENDITURES	<u>60,700</u>	<u>62,675</u>	<u>64,633</u>	<u>(1,958)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>29,600</u>	<u>29,372</u>	<u>29,461</u>	<u>89</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(9,500)	(9,500)	(9,895)	(395)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,500)</u>	<u>(9,500)</u>	<u>(9,895)</u>	<u>(395)</u>
NET CHANGE IN FUND BALANCE	<u>20,100</u>	<u>19,872</u>	<u>19,566</u>	<u>(306)</u>
FUND BALANCE - BEGINNING OF YEAR	275,253	275,253	275,253	-
FUND BALANCE - END OF YEAR	<u>\$ 295,353</u>	<u>\$ 295,125</u>	<u>\$ 294,819</u>	<u>\$ (306)</u>

**VILLAGE OF PORT AUSTIN, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:				
Taxes	\$ 44,000	\$ 45,600	\$ 45,659	\$ 59
Intergovernmental revenue:				
Gas and weight tax	17,500	17,500	18,718	1,218
Interest	1,500	1,900	2,405	505
TOTAL REVENUES	<u>63,000</u>	<u>65,000</u>	<u>66,782</u>	<u>1,782</u>
EXPENDITURES:				
Routine maintenance	48,850	48,800	47,801	999
Snow and ice control	6,625	9,000	12,568	(3,568)
Traffic services	-	-	-	-
Administrative	2,000	600	670	(70)
Capital outlay	13,400	13,400	13,329	71
TOTAL EXPENDITURES	<u>70,875</u>	<u>71,800</u>	<u>74,368</u>	<u>(2,568)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,875)</u>	<u>(6,800)</u>	<u>(7,586)</u>	<u>(786)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	9,500	9,500	9,895	395
TOTAL OTHER FINANCING SOURCES	<u>9,500</u>	<u>9,500</u>	<u>9,895</u>	<u>395</u>
NET CHANGE IN FUND BALANCE	<u>1,625</u>	<u>2,700</u>	<u>2,309</u>	<u>(391)</u>
FUND BALANCE - BEGINNING OF YEAR	209,809	209,809	209,809	-
FUND BALANCE - END OF YEAR	<u>\$ 211,434</u>	<u>\$ 212,509</u>	<u>\$ 212,118</u>	<u>\$ (391)</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF PORT AUSTIN, MICHIGAN
BALANCE SHEET
COMPONENT UNIT
FEBRUARY 29, 2008

	DOWNTOWN DEVELOPMENT AUTHORITY
<u>ASSETS</u>	
Cash	\$ 121,770
Property taxes receivable	45,642
TOTAL ASSETS	<u>\$ 167,412</u>
<u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES:	
Accounts payable	\$ 11,033
Deferred revenue	10,937
TOTAL LIABILITIES	<u>21,970</u>
FUND BALANCE:	
Unreserved	145,442
TOTAL FUND BALANCE	<u>145,442</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 167,412</u>

VILLAGE OF PORT AUSTIN, MICHIGAN
RECONCILIATION OF THE COMPONENT UNIT FUND BALANCE TO
NET ASSETS OF THE COMPONENT UNIT
FEBRUARY 29, 2008

Total fund balance - component unit	\$ 145,442
Amounts reported in the statement of net assets for the component unit are different because:	
Capital assets used are not financial resources and therefore are not reported as assets in the component unit.	1,369,118
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	(407,724)
Some property taxes will be collected more than 60 days after year-end. They are not considered available to pay for the current period's expenditures and, therefore, are not recorded as revenue in the governmental funds.	19,460
Net assets of the component unit	<u>\$ 1,126,296</u>

**VILLAGE OF PORT AUSTIN, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
COMPONENT UNIT
FOR THE YEAR ENDED FEBRUARY 29, 2008**

	DOWNTOWN DEVELOPMENT AUTHORITY
REVENUES:	
Property taxes	\$ 132,237
State grants	240,835
Donations	3,775
Facade project income	16,835
TOTAL REVENUES	<u>393,682</u>
EXPENDITURES:	
Façade grant expenditures	16,835
Façade project expenditures	16,835
Other	3,293
Capital outlay	470,056
TOTAL EXPENDITURES	<u>507,019</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(113,337)</u>
OTHER FINANCING SOURCES (USES):	
Loan proceeds	416,194
Operating transfers out	(230,165)
TOTAL OTHER FINANCING SOURCES (USES)	<u>186,029</u>
NET CHANGE IN FUND BALANCE	<u>72,692</u>
FUND BALANCE - BEGINNING OF YEAR	72,750
FUND BALANCE - END OF YEAR	<u>\$ 145,442</u>

**VILLAGE OF PORT AUSTIN, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF THE COMPONENT UNIT TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008**

Total net change in fund balance - component unit	\$ 72,692
Amounts reported in the statement of activities for the component unit are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:	
Capital outlay	469,932
Depreciation	(57,368)
Loan proceeds are not reported as financing sources in the statement of activities.	(416,194)
Repayment of loans is an expenditure in the component unit but reduces long-term liabilities in the statement of net assets.	203,134
Revenues are recorded in the statement of activities when earned; they are not reported in the governmental funds unless collected or collectable within 60 days of year-end. This is the net change in property taxes receivable.	(2,386)
Change in net assets of governmental activities.	<u>\$ 269,810</u>

BRINING & NARTKER, P.C.

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Village Council
Village of Port Austin
Port Austin, Michigan


In planning and performing our audit of the financial statements of the Village of Port Austin, Huron County, Michigan as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Port Austin, Huron County, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the following deficiency to be a significant deficiency in internal control.

The Village officials have the ability to perform internal accounting functions and prepare bank reconciliations. Generally accepted accounting principles also require that the Village prepare financial statements including the related notes to the financial statements. As is the case with many small governments, the Village has relied on its independent external auditors to assist in the preparation of the financial statements and notes thereto as part of its external financial reporting process. External auditors cannot, by definition, be considered part of the Village's internal controls over financial reporting. The Village has decided that it is more cost effective and in the best interest of the Village to outsource this task to its external auditors and to carefully review the financial statements and notes thereto prior to approving them and accepting responsibility for their content and presentation.

This communication is intended solely for the information and use of management, the Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.


Brining & Nartker, P.C.
Certified Public Accountants

August 18, 2008